



April 29, 2019

Attn: [REDACTED]

Dear [REDACTED]

Re: Group Health Policy [REDACTED] Rate Changes - 2019

With the renewal date of your health business approaching, we are writing to share important information about your rates. We are also writing to update you on the Government of Bermuda's proposed changes to hospital financing, and what it means for you.

**Rate Changes**

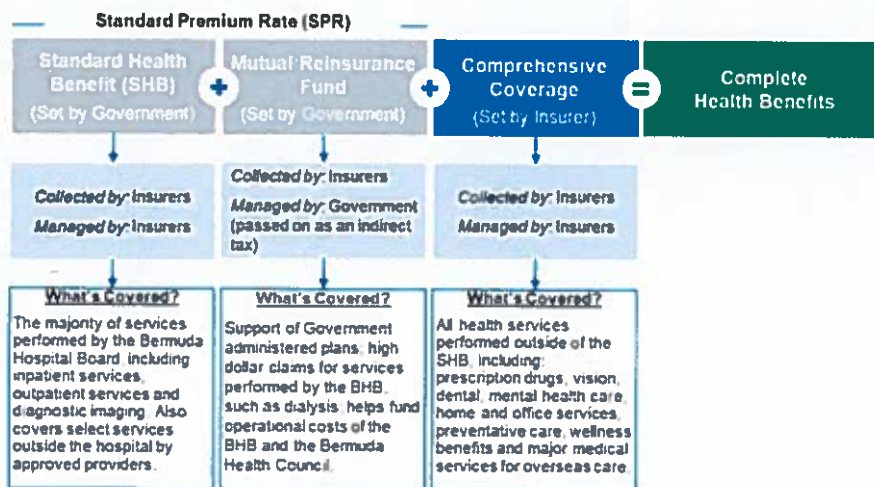
Effective June 1, 2019, your Health Insurance premium rates are changing. Please refer to the attached endorsement for the breakdown of your renewal premiums. These endorsements are part of your Health insurance policy contract.

Your premiums include several components:

**The Insurer-set component:** Provides you comprehensive health coverage. It is affected by the overall claims experience of your group in relation to premiums paid. When there is an increase in the cost of claims, premiums increase. This component is also used to cover the cost of administration and claims processing.

**The Government-set components:** All health insurance premiums in Bermuda include a Standard Premium Rate (SPR), set by law. Any changes to these rates will impact every insured person's premium. The Standard Premium rate is comprised of:

- o The Standard Health Benefit premium
- o The Mutual Reinsurance Fund



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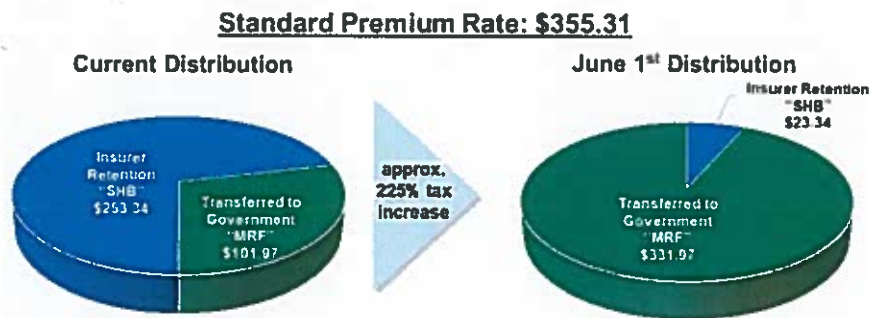
Under the existing structure, health insurers manage two of the three components of your premium – the SHB and the comprehensive coverage. By retaining these premiums, insurers are able to participate in the management and administration of all on- and off-Island health care services. To that end, we have made substantial investments in analytics platforms and claims handling processes to better serve our insureds. We monitor billing practices, track diseases, and ensure treatment is given according to approved standards of practice. These claims management practices help to reduce costs, facilitate data analytics, and serve as an important check and balance to the health system.

### Government Changes

On March 28, 2019, the Minister of Health publically announced major changes to the components of the Standard Premium Rate in order to reform Bermuda's hospital financing system. These changes are scheduled to go into effect on June 1, 2019.

### What is the Government Proposing?

1. While the SPR will remain the same, the distribution of the components of this premium are changing. This means that more than 93% of the Standard Premium Rate will now flow to the Government as an indirect tax.



2. The Government is setting a budget of \$330M annually for the Bermuda Hospital Board (BHB), rather than continuing to use a fee-for-service model. This means the hospital will need to work within this budget, regardless of utilization trends and costs.

By reforming the funding mechanism of Bermuda Hospital Board as proposed, BF&M will no longer receive claims information from the BHB, and therefore no longer be able to provide the valuable claims management and other services outlined above.

### What does this mean for you?

We will be increasing comprehensive coverage premium rates by more than in years past as a result of our significantly reduced SHB premiums (approximately 90% less than current). Given current health trends and health care cost inflation, we project premiums will not be sufficient to pay expected claims for 2019/20 without this increase.

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We are offering open information sessions to explain the changes outlined above and to answer any questions you may have. We encourage you to attend.

**Date:** Thursday 9th, Tuesday 14th, Thursday 16th and Tuesday 21st May, 2019

**Time:** 8:30-9:30 a.m.

**Venue** BF&M Boardroom, 112 Pitts Bay Road

Please RSVP to [EGarrafa@bfm.bm](mailto:EGarrafa@bfm.bm) with your selected session.

We continue to appreciate your business and partnership with BF&M. As always, if you have any questions or concerns, please feel free to reach out to your Customer Relations Manager or me.

Sincerely yours,

A handwritten signature in black ink that reads "Michelle Jackson".

Michelle Jackson  
SVP, Group Lines Health and Life  
BF&M Life Insurance Company Limited

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**ENDORSEMENT**

Attached To and Forming Part of Group Health Policy No. [REDACTED]

Issued by

**BF&M LIFE INSURANCE COMPANY, LIMITED**

To

[REDACTED]

It is hereby declared that effective 01 June, 2019 this Group Health Policy is amended as follows:

The page entitled SCHEDULE OF PREMIUMS, Section 1 is replaced by the following:

Class	Rate A	Rate B	Rate C	Rate D	Rate E	Rate F
Standard Health Benefits	355.31	710.62	710.62	355.31	355.31	355.31
Global Health	1036.52	2073.04	2843.06	1806.51	1717.73	2487.75
Global Health, Basic Dental	1109.90	2219.80	3076.31	1966.38	1864.49	2721.00
Global Health, Comp Dental	1127.49	2254.98	3130.65	2003.13	1899.67	2775.34
Global Plus	1078.93	2157.87	2993.48	1914.52	1802.56	2638.17
Global Plus, Basic Dental	1152.33	2304.67	3226.72	2074.38	1949.36	2871.41
Global Plus, Comp Dental	1169.91	2339.83	3281.08	2111.14	1984.52	2925.77
Global Elite	1211.17	2422.34	3368.92	2157.75	2067.03	3013.61
Global Elite, Basic Dental	1317.27	2634.55	3694.72	2377.41	2279.24	3339.41
Global Elite, Comp Dental	1347.73	2695.46	3776.34	2428.61	2340.15	3421.03

Except as stated herein all other terms and conditions of the Group Health Policy remain unchanged.

SIGNED ON BEHALF OF THE INSURANCE COMPANY:

Andrew Soares  
Executive Vice President, Life and Health Insurance

Date: 29 April, 2019

Please attach this Endorsement to your Group Policy.

- Cat. A (Rate A) - Employee Only (EMP)
- Cat. B (Rate B) - Employee & Non-Working Spouse (ESP)
- Cat. C (Rate C) - Employee, Non-Working Spouse & Child(ren) (FAM)
- Cat. D (Rate D) - Employee & Child(ren) (ECH)
- Cat. E (Rate E) - Employee, Working Spouse (ESP)
- Cat. F (Rate F) - Employee, Working Spouse & Child(ren) (FAM)

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